

SAM – FINANCED ACQUISITIONS
GS \$Mart

CHAPTER 3400 INDEX

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INTRODUCTION

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(Revised 8/2014)

The State Financial Marketplace (SFM) established by the Department of General Services, provides financing and payment programs that serve California State and local government entities. Tax-exempt rates are established with lenders for the purpose of financing both purchases and leases. The [GS \\$Mart](#) (pronounced “G S Smart”) is the program to use to finance a purchase. The [Lease \\$Mart](#) (pronounced “Lease Smart”) is the program to use to finance a lease.

Only approved lenders or lessors participate in the programs. The SFM provides negotiated contractual terms and conditions. The result is financial security regarding such issues as tax-exempt qualifications, financial health of the lender, and the financing’s effect on the state’s credit rating.

State departments contemplating financing a transaction are advised to contact a SFM representative early in the acquisition planning process. Proposed use of a source other than the financial marketplace may require advanced approval from the Department of Finance.

SMF representatives can:

1. Provide program information.
2. Guide governmental entities through the financial marketplace process to create a financed contract.
3. Assist with refinancing contracts.
4. Assist with assignment (or novation) of financial marketplace contracts.

Information regarding the SFM is provided on the Procurement Division web site at the following address:

State Financial Marketplace:

<http://www.dgs.ca.gov/pd/programs/StateFinancialMarketplace.aspx>

For more detailed procedures please see Chapter 9 of:

[State Contracting Manual Volume 2](#) for Non-IT Goods

[State Contracting Manual Volume 3](#) for IT Goods and Services

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INSTALLMENT PURCHASES

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(Revised 8/2014)

For the purpose of financing purchases, California government entities are permitted to use the Department of General Services' (DGS) Golden State Financial (\$) Marketplace (GS \$Mart, pronounced "G S Smart") to enter into installment purchase agreements (commonly referred to in the industry as "lease purchases"). Installment Purchases must be structured to comply with Internal Revenue Service (IRS) tax code. Approved lenders, financing plans, and tax-exempt rates (which are usually less costly than commercial lending rates and financed leases) are listed on the [GS \\$Mart](#) Internet site.

Certain budgetary conditions defined by the Department of Finance ([DOF](#)) apply to the use of the GS \$Mart program. Advanced DOF approval will be required on all transactions \$10 million and over, and may be required for other transactions. Contact a SFM representative prior to initiating a purchase that involves financing or prior to initiating an assignment of an installment purchase that was financed using the GS \$Mart program.

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PURCHASED TANGIBLE ASSETS

3420.10

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Purchased tangible assets that may be financed through [GS \\$Mart](#) include:

1. Vehicles
2. Information technology equipment and necessary pre-integrated software (including mainframes, personal computers, printers, network equipment, and storage)
3. Software licenses
4. Software development and integration (on a case-by-case basis with Department of Finance ([DOF](#)) support unit approval)
5. Select services included with the procurement of assets (e.g., warranty, installation, training)
6. Copy machines
7. Laboratory equipment
8. Medical equipment
9. Furniture (including modular)
10. Video conferencing systems
11. Mailing equipment
12. Telephone systems
13. Most energy efficiency and sustainability equipment and systems (see “Capital Outlay” below)

Tangible assets that may **not** be financed through GS \$Mart include:

1. Consultant and other services
2. Real property including:
 - a. Land
 - b. Structures
 - c. Easements
 - d. Rights-of-way
 - e. Other forms of legal entitlements to use or dictate the use of real property
3. Capital outlay projects

Capital outlay projects are those that alter the purpose or capacity of real property. Projects that keep real property functioning at its designed level of service, or improve the efficiency of its operating systems – such as repair projects and most energy efficiency projects – are not capital outlay. Note, however, that some energy efficiency projects (e.g., photovoltaics) can involve significant facility engineering issues that make them capital outlay in nature or could be limited by covenants on debt-financed buildings. Such projects must receive prior approval by the DOF before securing financing.

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INSTALLMENT PURCHASE CONDITIONS

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Installment purchases can be used for:

1. Orders for applicable items placed against Leveraged Procurement Agreements including, but not limited to the California Multiple Award Schedules ([CMAS](#)), unless otherwise stated in user instructions,
2. Competitive acquisitions, or
3. Noncompetitive acquisitions.

Conditions for entering into an installment purchase include, but are not limited to, the following:

1. Generally, the financed portion of an acquisition is a minimum of \$50,000. This includes the cost of the tangible asset and, if applicable, sales tax. Financing an amount smaller than \$50,000 may not be cost-effective. Contact the SFM for additional information regarding finance of lower dollar-value transactions.
2. The term duration of the installment purchase may not exceed the projected useful life of the asset being financed.
3. No GS \$Mart financed contract may be signed without prior written approval by the Department of General Services.
4. Acquisitions conducted under delegated purchasing authority that include financing must subscribe to the requirements identified in the State Contracting Manual (SCM), [Volume 2](#) or SCM [Volume 3](#). For determination of whether the transaction is within a department's delegated purchasing authority limit, the finance cost associated with the purchase is not included.

If a department wishes to consider a lender that is not participating in the GS \$Mart program, then prior to proceeding contact a SFM representative to learn how the lender can qualify to participate. Requirements to become a lender are located on [the GS \\$Mart](#) Internet site.

All state departments that use the GS \$Mart program and are subject to the Department of General Services' oversight must send a copy of each financed agreement to the SFM. The contract is reviewed to ensure compliance with IRS tax code requirements. The SFM also files the necessary IRS tax forms and reports on behalf of the department.

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ENERGY EFFICIENCY PROJECTS

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[GS \\$Mart](#) financing may be used for energy efficiency and sustainability projects. GS \$Mart may not be used on buildings with bond financing unless prior approval has been received from the DOF. However, the approval of these projects is based on a cost-benefit analysis to substantiate there is enough energy savings derived to repay all associated project costs, including financing. A Life Cycle Cost (LCC) analysis model to conduct this evaluation is available from the Department of General Services (DGS). The LCC model **must** be used for this analysis. The DGS will not approve any GS \$Mart financing for such projects unless the applicant department certifies that the model has been applied and the results justify the acquisition of the asset on a cost-benefit basis.

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REFINANCING
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The [GS \\$Mart](#) Internet site is frequently updated with the latest market information, including approved lenders and finance rates. State departments are advised to review GS \$Mart information periodically for refinancing opportunities and, if advantageous, to execute a **refinancing** contract to realize the cost savings. To ensure refinancing is executed properly, departments should contact a SFM representative before proceeding.

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FINANCED LEASES

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California government entities are permitted to enter into financed leases as described in the Uniform Commercial Code, Section 2A, (commonly referred to as “operating leases”) using the [Lease \\$Mart](#) program. Approved lessors, leasing plans, and lease factor rates are listed on the Lease \$Mart Internet site. Contact a SFM representative prior to initiating a procurement that involves a lease or prior to initiating an assignment of a lease that was financed using the Lease \$Mart program.

SAM [3700](#) requires that a lease/purchase analysis be performed prior to entering into a lease. This requirement is also applicable for leases completed using the Lease \$Mart program.

If there is any chance that an entity may want to own equipment at the end of a lease, it is strongly recommended to either purchase the equipment outright or utilize the GS \$Mart program to make an installment purchase. The Lease \$Mart Internet site provides a payment calculator that can help to determine the most cost-effective financing method.

For more detailed procedures please see Chapter 9 of:

[State Contracting Manual Volume 2](#) for Non-IT Goods

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LEASED TANGIBLE ASSETS

3440.10

(Revised 8/2014)

Leased tangible assets that may be financed through [Lease \\$Mart](#) includes:

1. Information technology equipment (including mainframes, personal computers, printers, network equipment, and storage),
2. Laboratory Equipment,
3. Copy machines, and
4. Vehicles.

Contact a representative of the SFM if there is a need to establish a financed lease for any other items. A determination of applicability will be made on a case by case basis.

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LEASING CONDITIONS

3440.20

(Revised 8/2014)

Financed leases can be used for:

1. Orders for applicable items placed against Leveraged Procurement Agreements such as the California Multiple Award Schedules ([CMAS](#)), unless otherwise stated in user instructions,
2. Competitive acquisitions, or
3. Noncompetitive acquisitions.

Conditions for entering into a financed lease include, but are not limited to, the following:

1. The term duration of the financed lease may not exceed the projected useful life of the asset being financed.
2. Acquisitions conducted under delegated purchasing authority that include leasing must subscribe to the requirements identified in the State Contracting Manual (SCM), [Volume 2](#) or SCM [Volume 3](#). For determination of whether the transaction is within a department's delegated purchasing authority limit, the finance cost associated with the lease is not included.
3. State departments subject to Department of General Services' (DGS) oversight that use the SFM must send a copy of each financed lease agreement to the Lease \$Mart Administrator. No financed lease may be signed by a department without prior written approval by the DGS.

If a department wishes to consider a lessor that is not participating in the Lease \$Mart program, then prior to proceeding contact a SFM representative to learn how the lessor can qualify to participate. Requirements to become a lessor are located on the [Lease \\$Mart](#) Internet site.